

Property Tax Payments, 2002-2003

- Miami County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Miami County from \$4.2 Million in 2002 to \$7.7 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Miami County, state tax credits

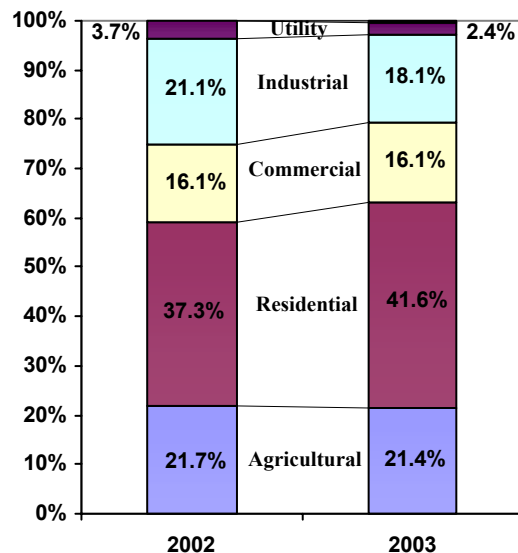
Table 1. Changes in AV and Tax Bills by Property Class for Miami County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	81.8%	70.4%	-5.2%
Residential (All)	104.3%	70.4%	7.3%
Homestead Only	103.6%	54.2%	-3.0%
Commercial	47.7%	54.8%	-3.9%
Industrial	30.5%	24.4%	-17.7%
Utility	-6.8%	-6.8%	-37.0%
Avg. All Classes	77.6%	58.5%	-4.1%

increased from \$4.2 million to \$7.7 million, an increase of \$3.5 million. This paper provides a brief summary of how these factors changed property tax liabilities in Miami County.

Tax Shifts. Miami County saw a property tax shift from agricultural, industrial, and utility to residential property owners. Tax bills paid by residential property owners increased, while tax bills paid by agricultural, commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential property increased more than the assessed values of other property. Gross assessed values of residential property doubled. Agricultural assessments rose 82%. Commercial and industrial assessments rose much less, and utility assessments actually declined. These figures include the

Figure 1. Share of Net Property Tax Billings in Miami County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Miami County saw their tax bills decrease while taxes on the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Miami County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

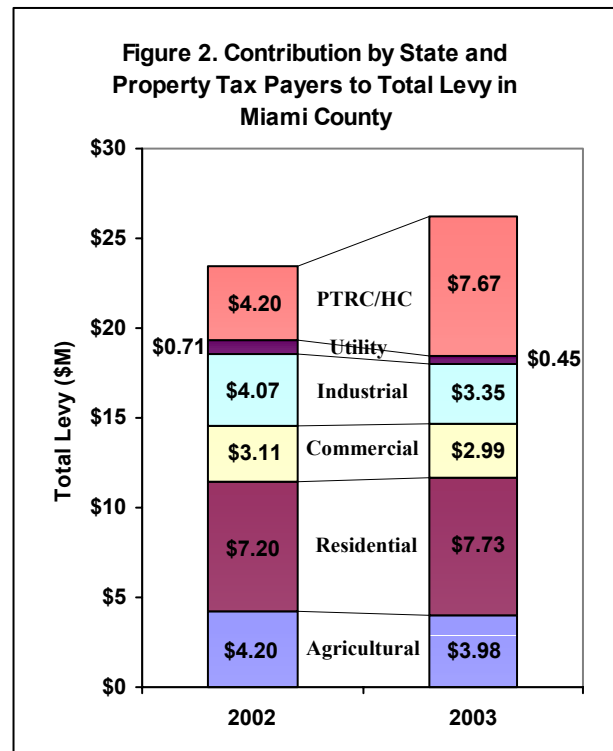
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Miami County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	65.7%	39.6%	62.1%	34.0%
Decreased	34.3%	60.4%	37.9%	66.0%
Increased 100% or More	20.8%	4.1%	17.9%	3.6%
Decreased 25% or More	15.0%	25.9%	18.8%	32.7%
Average Change (\$)	\$36	-\$61	\$12	-\$89
Average Change (%)	8.4%	-9.7%	2.7%	-14.3%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about 62% of all residential property owners would have seen tax increases, and 38% would have seen tax decreases. For homesteads, about 34% would have seen increases and 66% would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Miami County fell. Overall, agricultural business taxes fell more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Miami County because assessed values rose much less than residential



and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Miami County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Miami County by PTRC and state homestead credit payments increased by approximately 82%, from \$4.2 million to \$7.7 million.

Table 3 shows estimates of how Miami County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Miami County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The elimination of PTRC for personal property was responsible for reducing the tax cuts received by commercial, industrial, and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Miami County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	7.9%	-5.2%	-13.1%
Residential (All)	44.4%	7.3%	-37.1%
Homestead Only	58.8%	-3.0%	-61.8%
Commercial	-5.0%	-3.9%	1.0%
Industrial	-18.2%	-17.7%	0.4%
Utility	-46.4%	-37.0%	9.4%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Miami County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	654,034,920	189,227,036	364,351,869	276,478,629	63,718,666	36,737,349	0
Real Deductions	81,034,250	10,517,159	69,010,674	69,010,674	1,192,001	314,416	0
Real Net Assessed Value	573,000,670	178,709,877	295,341,195	207,467,955	62,526,665	36,422,933	0
Personal Gross Assd. Value	171,578,195	22,240,070	5,096,080	0	40,934,722	75,747,113	27,560,210
Personal Deductions	7,046,944	0	710	0	5,623,071	1,423,163	0
Personal Net Assd. Value	164,531,251	22,240,070	5,095,370	0	35,311,650	74,323,951	27,560,210
Total Gross Assessed Value	825,613,115	211,467,106	369,447,949	276,478,629	104,653,388	112,484,462	27,560,210
Total Deductions	88,081,194	10,517,159	69,011,384	69,010,674	6,815,072	1,737,579	0
Total Net Assessed Value	737,531,921	200,949,947	300,436,565	207,467,955	97,838,316	110,746,883	27,560,210
Gross Levy	24,073,570	5,080,838	9,748,075	6,676,250	3,636,089	4,779,469	829,099
PTRC (Calculated)	3,462,307	701,321	1,414,544	963,907	525,238	704,829	116,375
State/County Homestead Cr. (Calculated)	1,312,111	182,275	1,129,836	1,129,836	0	0	0
Net Levy	19,299,151	4,197,242	7,203,695	4,582,507	3,110,851	4,074,639	712,724
Pay 2003							
Real Gross Assessed Value	1,257,098,890	359,366,319	749,899,299	562,978,501	103,708,705	44,124,567	0
Real Deductions	292,464,933	42,010,217	243,056,247	243,056,247	3,185,972	4,212,497	0
Real Net Assessed Value	964,633,957	317,356,102	506,843,052	319,922,254	100,522,733	39,912,070	0
Personal Gross Assd. Value	209,218,349	25,006,830	4,967,520	0	50,904,831	102,652,918	25,686,250
Personal Deductions	4,781,594	0	7,830	0	0	4,773,764	0
Personal Net Assd. Value	204,436,755	25,006,830	4,959,690	0	50,904,831	97,879,154	25,686,250
Total Gross Assessed Value	1,466,317,239	384,373,149	754,866,819	562,978,501	154,613,535	146,777,485	25,686,250
Total Deductions	297,246,527	42,010,217	243,064,077	243,056,247	3,185,972	8,986,261	0
Total Net Assessed Value	1,169,070,712	342,362,932	511,802,742	319,922,254	151,427,563	137,791,224	25,686,250
Gross Levy	26,498,780	5,919,809	11,967,705	7,391,092	3,976,513	4,082,418	552,335
PTRC (Calculated)	7,031,880	1,820,112	3,390,374	2,100,731	988,256	729,486	103,652
State/County Homestead Cr. (Calculated)	968,064	121,171	846,892	846,892	0	0	0
Net Levy	18,498,837	3,978,525	7,730,439	4,443,469	2,988,257	3,352,932	448,684

COMPARISONS

Net Levy Percent Change	-4.1%	-5.2%	7.3%	-3.0%	-3.9%	-17.7%	-37.0%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	92.2%	89.9%	105.8%	103.6%	62.8%	20.1%	
Gross Personal AV	21.9%	12.4%	-2.5%	0.0%	24.4%	35.5%	-6.8%
Total Gross Assessed Value	77.6%	81.8%	104.3%	103.6%	47.7%	30.5%	-6.8%
Net Assessed Value	58.5%	70.4%	70.4%	54.2%	54.8%	24.4%	-6.8%
Gross Levy	10.1%	16.5%	22.8%	10.7%	9.4%	-14.6%	-33.4%
Net Levy	-4.1%	-5.2%	7.3%	-3.0%	-3.9%	-17.7%	-37.0%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	3,451,290	6,958,270	3,506,979	101.6%
State Homestead Cr. (Abstract)	753,070	707,011	-46,060	-6.1%
Total State Credits (Abstract)	4,204,361	7,665,281	3,460,920	82.3%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Miami County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,197,242	3,978,525	-218,717	-5.2%	21.7%	21.4%	-0.3%
Residential	7,203,695	7,730,439	526,744	7.3%	37.3%	41.6%	4.4%
Commercial	3,110,851	2,988,257	-122,594	-3.9%	16.1%	16.1%	0.0%
Industrial	4,074,639	3,352,932	-721,707	-17.7%	21.1%	18.1%	-3.0%
Utility	712,724	448,684	-264,040	-37.0%	3.7%	2.4%	-1.3%
Exempt	16,895	62,595	45,700	270.5%	0.1%	0.3%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	19,316,046	18,561,432	-754,614	-3.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,714,453	3,645,809	-68,644	-1.8%	19.2%	19.6%	0.4%
Residential	7,084,715	7,663,883	579,168	8.2%	36.7%	41.3%	4.6%
Commercial	2,265,058	2,171,619	-93,439	-4.1%	11.7%	11.7%	0.0%
Industrial	1,284,012	887,117	-396,895	-30.9%	6.6%	4.8%	-1.9%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	16,895	62,595	45,700	270.5%	0.1%	0.3%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	14,365,133	14,431,023	65,890	0.5%	74.4%	77.7%	3.4%
Agricultural Homesteads	1,397,855	1,342,932	-54,923	-3.9%	7.2%	7.2%	0.0%
Residential Homesteads	4,582,507	4,443,469	-139,038	-3.0%	23.7%	23.9%	0.2%
Total Homesteads	5,980,362	5,786,401	-193,961	-3.2%	31.0%	31.2%	0.2%
Non-Homestead Residential	2,502,208	3,220,414	718,206	28.7%	13.0%	17.4%	4.4%
Apartments (Over 4 Units)	232,596	301,154	68,558	29.5%	1.2%	1.6%	0.4%
<u>Personal Property Only</u>							
Agricultural	482,789	332,716	-150,073	-31.1%	2.5%	1.8%	-0.7%
Residential	118,980	66,556	-52,424	-44.1%	0.6%	0.4%	-0.3%
Commercial	845,793	816,638	-29,155	-3.4%	4.4%	4.4%	0.0%
Industrial	2,790,627	2,465,814	-324,813	-11.6%	14.4%	13.3%	-1.2%
Utility	712,724	448,684	-264,040	-37.0%	3.7%	2.4%	-1.3%
Total	4,950,913	4,130,408	-820,505	-16.6%	25.6%	22.3%	-3.4%
Total Depreciables	2,737,659	1,995,761	-741,898	-27.1%	14.2%	10.8%	-3.4%
Total Inventory	2,094,274	2,068,092	-26,182	-1.3%	10.8%	11.1%	0.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,316,598	2,302,877	-13,721	-0.6%	12.0%	12.4%	0.4%
Ag Personal	482,789	332,716	-150,073	-31.1%	2.5%	1.8%	-0.7%
Total Ag Business	2,799,387	2,635,593	-163,794	-5.9%	14.5%	14.2%	-0.3%
Ag Homesteads	1,397,855	1,342,932	-54,923	-3.9%	7.2%	7.2%	0.0%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Miami County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	200,949,947	342,362,932	141,412,985	70.4%	27.2%	29.2%	2.0%
Residential	300,436,565	511,802,742	211,366,177	70.4%	40.7%	43.6%	2.9%
Commercial	97,838,316	151,427,563	53,589,247	54.8%	13.3%	12.9%	-0.3%
Industrial	110,746,883	137,791,224	27,044,341	24.4%	15.0%	11.7%	-3.3%
Utility	27,560,210	25,686,250	-1,873,960	-6.8%	3.7%	2.2%	-1.5%
Exempt	703,250	3,997,700	3,294,450	468.5%	0.1%	0.3%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	738,235,171	1,173,068,411	434,833,240	58.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	178,709,877	317,356,102	138,646,225	77.6%	24.2%	27.1%	2.8%
Residential	295,341,195	506,843,052	211,501,857	71.6%	40.0%	43.2%	3.2%
Commercial	62,526,665	100,522,733	37,996,068	60.8%	8.5%	8.6%	0.1%
Industrial	36,422,933	39,912,070	3,489,137	9.6%	4.9%	3.4%	-1.5%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	703,250	3,997,700	3,294,450	468.5%	0.1%	0.3%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	573,703,920	968,631,657	394,927,737	68.8%	77.7%	82.6%	4.9%
Agricultural Homesteads	72,124,791	122,424,633	50,299,842	69.7%	9.8%	10.4%	0.7%
Residential Homesteads	207,467,955	319,922,254	112,454,299	54.2%	28.1%	27.3%	-0.8%
Total Homesteads	279,592,746	442,346,887	162,754,141	58.2%	37.9%	37.7%	-0.2%
Non-Homestead Residential	87,873,240	186,920,798	99,047,558	112.7%	11.9%	15.9%	4.0%
Apartments (Over 4 Units)	6,308,770	13,529,812	7,221,042	114.5%	0.9%	1.2%	0.3%
<u>Personal Property Only</u>							
Agricultural	22,240,070	25,006,830	2,766,760	12.4%	3.0%	2.1%	-0.9%
Residential	5,095,370	4,959,690	-135,680	-2.7%	0.7%	0.4%	-0.3%
Commercial	35,311,650	50,904,831	15,593,181	44.2%	4.8%	4.3%	-0.4%
Industrial	74,323,951	97,879,154	23,555,203	31.7%	10.1%	8.3%	-1.7%
Utility	27,560,210	25,686,250	-1,873,960	-6.8%	3.7%	2.2%	-1.5%
Total	164,531,251	204,436,755	39,905,504	24.3%	22.3%	17.4%	-4.9%
Total Depreciables	94,678,265	111,543,071	16,864,806	17.8%	12.8%	9.5%	-3.3%
Total Inventory	64,757,616	87,933,993	23,176,377	35.8%	8.8%	7.5%	-1.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	106,585,086	194,931,469	88,346,383	82.9%	14.4%	16.6%	2.2%
Ag Personal	22,240,070	25,006,830	2,766,760	12.4%	3.0%	2.1%	-0.9%
Total Ag Business	128,825,156	219,938,299	91,113,143	70.7%	17.5%	18.7%	1.3%
Ag Homesteads	72,124,791	122,424,633	50,299,842	69.7%	9.8%	10.4%	0.7%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Miami County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	118%	82%	14%	8%
Comparable Residential Real Prop.	107%	71%	8%	3%
Comparable Homesteads	100%	46%	-10%	-14%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	325	2.1%	86	1.1%	306	1.9%	78	1.0%
200%	to 300%	291	1.8%	53	0.7%	179	1.1%	47	0.6%
100%	to 200%	2,656	16.9%	169	2.3%	2,347	14.9%	151	2.0%
50%	to 100%	2,285	14.5%	382	5.1%	2,175	13.8%	329	4.4%
25%	to 50%	1,841	11.7%	606	8.1%	1,763	11.2%	529	7.1%
10%	to 25%	1,436	9.1%	790	10.5%	1,458	9.3%	655	8.7%
5%	to 10%	530	3.4%	372	5.0%	536	3.4%	304	4.1%
0	to 5%	983	6.2%	509	6.8%	1,003	6.4%	456	6.1%
0	to -5%	596	3.8%	487	6.5%	573	3.6%	428	5.7%
-5%	to -10%	618	3.9%	536	7.2%	602	3.8%	502	6.7%
-10%	to -25%	1,819	11.6%	1,567	20.9%	1,848	11.7%	1,567	20.9%
-25%	to -50%	1,811	11.5%	1,536	20.5%	2,295	14.6%	1,953	26.1%
Below	-50%	549	3.5%	403	5.4%	655	4.2%	497	6.6%
		15,740	100.0%	7,496	100.0%	15,740	100.0%	7,496	100.0%
Parcels With Increases		10,347	65.7%	2,967	39.6%	9,767	62.1%	2,549	34.0%
Parcels With Reductions		5,393	34.3%	4,529	60.4%	5,973	37.9%	4,947	66.0%
Average \$ Change			\$36		-\$61		\$12		-\$89
Average % Change			8.4%		-9.7%		2.7%		-14.3%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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